

Small Business Notes

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On Sunday, December 27, President Trump signed, unchanged, the stimulus bill sent to him by the Congress just before Christmas. Among other provisions, the new law provides for a “Second Draw” round of (Payroll Protection Program (PPP) loans for businesses adversely impacted by the COVID-19 pandemic and which received an earlier PPP loan. While the U.S. Small Business Administration has 10 days to develop rules and procedures for the new round, certain features of the program are established in the act itself.

To be eligible, a business (which can include sole proprietorships and independent contractors) must:

- Have not more than 300 employees;
- Have used or committed to use the full amount of the first PPP loan;
- Show at least a 25 percent reduction in revenue in any of the first three quarters of 2020 when compared to the same quarter in 2019.

The maximum loan amount is 2.5 times the average monthly payroll in the year prior to the loan or \$2 million.

Fees for both lenders and borrowers are waived.

The following expenses are allowable and forgivable uses of the PPP funds:

- Payments for software, cloud computing, accounting and human resources services.
- Payments related to property damage caused by civil disturbances in 2020 when the cost of that damage is not covered by insurance.
- Payments to suppliers for the contracted price of goods necessary for the borrower’s ongoing business operations at the time the expenditure was made and prior to the PPP loan.
- Payments for personal protective equipment necessary to meet state or federal guidelines from March 1, 2020 to the end of the emergency declaration of the CARES Act and extending to subsequent PPP loans.

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The Act also resolves two earlier issues relating to tax treatment of the PPP funds:

- Forgiven PPP loans will not be included in the borrower's gross income; and
- A tax deduction is allowable for business expenses paid for with the proceeds of a forgiven PPP loan — effective back to the enactment of the CARES Act and extending to subsequent PPP loans.

The Act provides funding for small minority owned businesses through dedicated funding to specialty lenders who serve them:

- \$15 billion for loans issued by Community Development Financial Institutions and Minority Depository Institutions;
- \$35 billion for first time PPP borrowers of which \$15 billion may be used for loans to businesses with fewer than 10 employees or for loans of less than \$250,000 in low income areas.
- \$15 billion for live venues, movie theatres, and cultural institutions.

\$25 million was made available for the Minority Business Development Center program.

\$50 million was made available for auditing and fraud prevention.

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